

**"Your credit has been approved." "Not so fast," whispers the fine print.** By now, you may have grown so accustomed to the fine print in contracts and mail offers that you've stopped reading it, or worrying about it. That's a mistake. When you sign up for a credit card, buy or lease a car, or enter into almost any financial agreement, you're accepting a host of terms. Many of them are buried in a dense thicket of legalese that can be difficult to read and even harder to understand. But if you don't take the trouble to make sense of them, the conditions, exclusions, and exceptions can end up costing you serious money.

If you think you're seeing more fine print than ever these days, you're probably right. Much of it, ironically, is the result of consumer protection laws that have forced companies to disclose more and more details of their offers. Fine print is often used as a defense for the company. If you complain, they can say "We gave notice."

Indeed, you're generally bound by all the terms of a contract (except anything illegal or unconscionable), whether or not you read it and understood it. And you don't have to sign on the dotted line to be obligated. Simply by using a credit card for the first time, for example, you indicate that you accept the agreement. Moreover you often have little opportunity to modify or eliminate provisions you don't like. True, you may be able to negotiate some aspects of certain contracts - like mortgage or auto leases. But in most cases, your only choice is to accept the agreement as is or take your business elsewhere.

So reading the fine print is essential. Trouble is that tiny type can be awfully tough to see. Many consumer protection laws require only that information be "clear and conspicuous" - without specifying how big. Thus important provisions may appear in letters 25% smaller than your newspaper. To help you decipher the treacherous type and glean the information you need, we have listed several areas where you should pay especially close attention to the fine print.

## SNEAKY PENALTIES AND FEES PUMP UP THE COST OF CREDIT

***"If our records on any billing date reflect that you have failed to make the required minimum payments due for two consecutive billing periods and that you are 30 days or more past due, we may increase the APR on both new transactions and outstanding balances."***

If you think the advertised interest rate and annual fee accurately sum up the cost of using your credit card, think again. The credit card charges that are going up are the ones that can be buried in the fine print. Faced with record delinquencies and shrinking profits, card issuers have been hitting you with numerous new fees and penalties in recent years.

A look through cardholder agreements and change-of-terms notices from some of the 20 largest card issuers turns up the following terms of ensnarement: ***a penalty rate of prime plus 12.9% on your***

***outstanding balances - currently 22.4% if you miss two consecutive payments (vs. a range of 13.90% to 18.9% on accounts that are current.***

Another card issuer hits you with a \$29 late fee if your check arrives late.

Another takes to the fine print to explain its two-cycle billing method for calculating interest on your outstanding balance. That's an unusual calculation that tags some customers with finance charges even during months they pay their balances in full.

Issuers say that penalty rates and late fees shift the cost of delinquent accounts from customers who pay on time to those who don't.

Card issuers are also playing "gotcha!" with their perks. One sent out what it labeled as an easy-to-read guide that spelled out new cardholder terms. One tidbit: If your account is unpaid for even one 30-day billing cycle, you may no longer be eligible for insurance when you use your card to rent a car or make a major purchase.

Take a close look at the next letter you get promising a "pre-approved" low-rate credit card. Somewhere in the mailing you may find language noting that after reviewing your application, the card issuer may decide to offer you a higher interest rate, lower credit limit, or both.

## Self-defense...

Since many of the fees and penalties are triggered by late payments, it's more important than ever to stay up-to-date with your bills. Moreover, once you've established a record of paying on time, you could have a better chance of persuading your card company to waive a late fee if you accidentally miss a due date.

**Another tip:** Before you rely on a credit-card perk, such as rental-car insurance, call the issuer's 800 number and make sure the coverage is still available.

## WHAT TO LOOK OUT FOR IN CAR LEASES

Lured by the prospect of low monthly payments of as little as \$99, a third of today's 11 million new car customers lease rather than purchase. But that invitingly affordable figure doesn't include added charges you may face when you end your lease. With a lease, the sticker shock comes when you turn in the car.

Here's what you'll learn by reading the fine print. You will be hit with charges of 15 to 24 cents a mile if you drive more than the lease allows, usually 12,000 to 15,000 miles a year. You could also face thousands of dollars in repair charges for excess wear and tear. Plus, if you return the car before your lease is up, you may be forced to pay all the outstanding lease payments plus penalties of \$200 or so.

See our brochures on Auto Leasing, Important End of Lease Information, and Look Before You Lease.

Worse, if you wreck the car or it is stolen before the end of your lease, you will still be on the hook for your remaining lease payments, which could easily total more than the insurance pay-out on the car. Some leases include "GAP" insurance or agreements to cover the difference, but you'll have to look hard to discover it.

## Self-defense...

Fees for ending a lease early are generally nonnegotiable, so go for a lease only if you plan to keep the car for the duration of your contract. You can, however, ask the dealer to write a higher mileage cap- say for 15,000 rather than 12,000 miles. Also you can ask the dealer to spell out in as much detail as possible what constitutes excess wear and tear, such as dents and rust, torn seat covers, or worn tire treads. In addition, be sure he includes a clause stating that you're entitled to an independent estimate of any repairs the car requires when you turn it in. If your lease does not include GAP insurance/ agreement, you can buy coverage from the dealer. Cost: generally \$200 to \$500 over the life of the lease.

## COSTLY HOME MORTGAGE CLAUSES

Mortgage documents are loaded with legalese, but today's home buyers need to pay especially close attention to two items: **Prepayment penalties and private mortgage insurance (PMI).**

Prepayment penalties, which disappeared from most mortgage by the early 1980s, are making a comeback. If you're among the one in four home buyers who chooses an adjustable-rate mortgage, a growing number of lenders will impose a penalty (generally 3% of the principal or up to six months' interest) if you refinance your loan in the first three to five years of the mortgage. (A few of these lenders can even hit you with the penalty if you sell your home.)

PMI is another potential trap. When you put down less than 20% to buy a home, your lender requires you to buy PMI, which protects the lender in case you default. The cost is typically half of three-quarters of a percent of the loan almost every year; your payment is tacked onto your monthly mortgage tab. The rude surprise: The terms of a mortgage usually make no mention of how to cancel the PMI after your home equity exceeds 20%.

## Self-defense...

Be sure you understand any prepayment penalty that may be included in your mortgage agreement.

If you're paying PMI but you think your home equity is at least 20%, ask your lender what you must do to cancel the insurance. For example, you may have to get an appraisal, which costs about \$300.

Also a new law was passed in 1998, which ensures your right to cancel the insurance under certain conditions. See our brochure on Private Mortgage Insurance.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

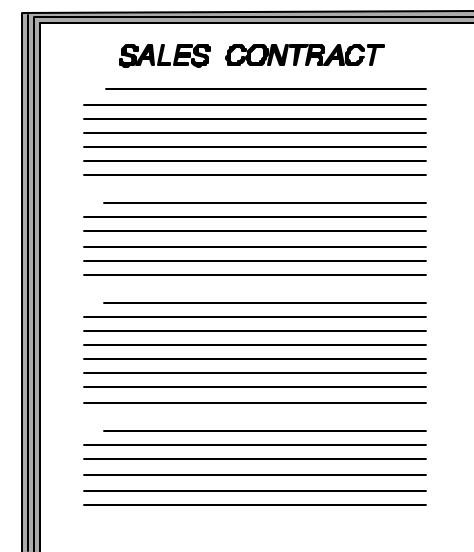
Advance-Fee Loan Scams  
Answers to Credit Problems  
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Bankruptcy Facts  
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Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
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Indiana Uniform Consumer Credit Code  
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Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s - What is it?  
Shopping for Credit  
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What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



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